

July	Net Performance (After Fees)	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
2014	Concise Mid Cap Fund Return (%)	(-0.59)	2.21	4.17	13.49	14.94	7.84	3.54
	Mid Cap Masters Index (%)	1.49	4.77	6.42	15.62	15.52	7.29	0.40
	Active Performance (%)	(-2.08)	(-2.56)	(-2.25)	(-2.13)	(-0.58)	0.55	3.14

Market Performance

Global share markets were generally stronger in August led by the US market. The S&P 500 was up 3.8% making August the seventh month in the last twelve the S&P 500 has been up by more than 2% in a month. The NASDAQ rose 4.8%, the Dow Jones posted a positive 3.2% return, while in Europe the FTSE was up 1.3%, the German DAX was up 0.7% and the French CAC40 was up 3.2%. The Australian market edged higher with the S&P ASX 200 up 0.6%. Base metals performance was mixed leading to the LME Index closing flat for August, spot iron ore fell 8.4%, oil was down 1.9% and the Australian dollar finished up 0.5% at US\$0.94.

In August further evidence emerged that the US economy continues on a positive trajectory. The ISM index measuring manufacturing activity rose to 57.1, its highest level in three years, while US factory production was stronger in July. Australian data continues to show subdued economic activity. While business conditions and confidence were both up last month, unemployment rose which is counter to current trends in a number of developed market economies.

Most companies reported FY14 profit results in August with one general market theme being growth in dividends for industrials exceeding growth in earnings. Analyst expectations for profit growth in FY15 settled at 6.5%. Company highlights from the reporting season include; Slater & Gordon's (SGH) FY14 results were ahead of expectations and two acquisitions announced at the results should add to market share gains made in FY14. Dominos Pizza's (DMP) announced a \$45.8m profit and flagged FY15 earnings growth in the region of +20% underpinned by new store openings. Breville Group (BRG) disappointed investors with earnings below expectations and announced the departure of its CEO.

Attribution Analysis for the month ended Aug 2014

Top 5	Bottom 5
Whitehaven Coal	James Hardie Industries
Ramsay Healthcare	Southern Cross Media
Naviatas	Transpacific Industries
SEEK	JB Hi Fi
Qube Holdings	CSR

Strategy Performance

The Concise Mid Cap Fund returned -0.59% in August underperforming the benchmark return of 1.49%. The best performers for the month included Whitehaven Coal (WHC), Ramsay Healthcare (RHC) and Seek (SEK) while detractors from performance included James Hardie Industries (JHX), Transpacific Industries (TPI) and JB Hi-Fi (JBH).

Significantly hampering performance was the strong share price moves in Qantas (QAN +10%), Cochlear (COH +14%), Harvey Norman (HVN +15%), Sirtex Medical (SRX +15%) and Mesoblast (MSB +18%) which are not held within the fund. The cash flow outlook for each of these stocks remains highly uncertain and we would seek to obtain greater visibility before considering an investment.

Whitehaven Coal (WHC) produced a strong result. Revenue increased 17%, unit cash costs declined 9% from A\$76 per tonne to A\$69 per tonne and operating cash flow increased to \$108m. WHC's major project, Maules Creek, is now 55% complete and is tracking on schedule and on budget. We remain attracted to WHC on valuation grounds, the production growth profile of higher value coals and a coal market that is somewhere near bottom of the cycle. WHC is the only listed Australian coal company that has the ability to produce in excess of 15mtpa of high quality thermal and coking coal for greater than 20 years. We believe that over the medium to longer term that if the market does not recognise the value of WHC then a competitor will.

James Hardie Industries (JHX) first quarter FY15 profit of US\$50m was below expectations, largely due to a lower than expected US fibre cement margin. Management identified cost increases related to inputs (pulp, cement, and freight) as well as reduced plant efficiencies. Despite these short term issues JHX management maintained guidance for an FY15 EBIT margin improvement. We continue to favour JHX for its long term story of a company with a solid market share, pricing power and leverage to normalisation of US housing construction.

Outlook

With the August reporting season now behind us, the investment team will be travelling extensively over the next few months to assess future investment opportunities. The investment team's focus remains the sustainability of a company's cash flows and their expected rate of return. The domestic economy continues to remain sluggish and consumer confidence is low. Earnings growth for companies highly exposed to the Australian consumer appears more challenging to come by over the coming 12 months. Companies exposed to advanced overseas economies, particularly the US and UK, will continue to grow earnings as improvement in employment and both business and consumer confidence continues. Domestically, companies continuing to invest into their asset base to gain productivity and efficiency gains will deliver superior earnings growth.

*The Mid Cap Masters Index is a price and accumulation price, free float adjusted index calculated daily for Concise on behalf of S&P. The constituent universe of index is the S&P/ASX 200 excluding the S&P/ASX 50. * The CMCF commenced on the 16th of April 2008. The since inception figure is annualised.

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